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IN THE

Supreme Court of the United States

OCTOBER TERM, A. D. 1941.

No. 649

MISHAWAKA RUBBER AND WOOLEN MANUFACTURING COMPANY,

Petitioner,

vs.

S. S. KRESGE COMPANY,

Respondent.

PETITIONER'S REPLY TO RESPONDENT'S BRIEF.

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PETITIONER'S REPLY TO RESPONDENT'S BRIEF.

Both lower courts found that respondent was guilty of trade-mark infringement and that such infringement was continued after direct notice. The only questions now before this Court relate to the reparation to be granted where such infringement has been found. Notwithstanding the findings of the lower courts, the respondent has devoted a large part of its brief to disputing matters which are inherent in the finding of infringement, and which are settled so far as this controversy is concerned. *Feil* v. *American Serum Co.*, 16 F. 2d 88, 90 (C. C. A. 8).

Most of respondent's remaining arguments were quite fully anticipated in the petitioner's brief. However, there are some incorrect statements and misleading arguments advanced in respondent's brief to which petitioner wishes to reply.

Japanese Flag.

Although neither validity of petitioner's trade-mark nor its infringement by respondent are before this Court, nevertheless respondent seeks to raise them as issues. On page 10 of its brief, respondent asserts that petitioner's trade-mark is identical to the red ball or "rising sun" portion of the Japanese flag, and that consequently it is doubtful whether it was ever entitled to registration, and the validity of its registration therefore is dubious.

The Japanese flag and the petitioner's trade-mark are not the same and accordingly the Japanese flag does not constitute a ground for invalidating petitioner's trade-mark.

Interstate Commerce.

The respondent contends that the petitioner is not entitled to the relief provided in the Trade-Mark Act of 1905 because the respondent's infringement was not committed in interstate commerce and because there is no allegation in the pleadings that the respondent sold its infringing heels in interstate commerce. (Brief, 52-55.)

The complaint positively asserts that the respondent "is now displaying, offering for sale and selling in the State of Michigan and throughout the United States, large numbers of spurious rubber heels which are marked with a red mark simulating and infringing plaintiff's aforesaid trade-mark". (R. 5.)

Respondent, in reply to Interrogatories Nos. 5, 9 and 10 (R. 13-14), unqualifiedly admitted (R. 16) that prior to the commencement of this suit, it had shipped or caused to be shipped in interstate commerce and sold in various states of the United States, rubber heels bearing the infringing marks.

The infringing heels were purchased by respondent

from the manufacturers, O'Sullivan Rubber Company, Inc., of New York City and Gettysburg, Pennsylvania, and the Essex Rubber Company, of Trenton, New Jersey, and respondent directed that the heels should be delivered by the manufacturers to respondent's numerous stores in its chain throughout the United States. Respondent therefore, without question, bought heels bearing the infringing trade-mark in certain states, had them shipped into other states, and sold them in some or all of the several states. This constitutes trade-mark infringement under the Federal Trade-Mark Act of 1905, Sec. 16, and accordingly the relief provided in that statute should be allowed.

The respondent apparently recognizes (Brief, 55) that if its acts of infringement were committed in interstate commerce, the Trade-Mark Act of 1905 would be controlling and the doctrine of *Erie R. Co.* v. *Tompkins*, 304 U. S. 64, could not be applied.

History of Respondent's Infringement.

At the outset of its brief, the respondent undertakes to "correct" the petitioner's statement of facts by discussing at length the negotiations between the respondent and its heel manufacturers. For example, the respondent explains that it instructed its manufacturer to discontinue using the red color very soon after it advised the petitioner that it would use some other color *"unlike red"*. (Brief, 3.)

Regardless of instructions to its manufacturers, the fact remains that the respondent continued to display, offer for sale, and sell the infringing heels without interruption for more than two years after notice of infringement, and, in fact, until enjoined from selling such heels by the preliminary injunction.

Moreover, the respondent did not respect its assurances to the petitioner that it would use some other color unlike red. Beginning July 1, 1934, the respondent procured

heels with red circular marks (like Exhibit 54) from a new source, and continued to sell these heels, despite petitioner's objections, until enjoined from so doing by preliminary injunction.

For convenience, a chart is included in this brief, at page 7, for the purpose of showing:

(1) the various colored marks used on the heels sold by the respondent.

(2) the approximate dates upon which the respondent began selling the heels with these marks.

(3) the dates upon which the petitioner complained to the respondent about the sale of said heels, and

(4) the period of months or years during which the respondent continued to sell the said heels.

The chart summarizes the respondent's acts of infringement, and it is upon these acts of infringement and the attendant unfair competition that the petitioner bases its prayer for redress.

Certain Irrelevant and Immaterial Matters Contained in Respondent's Brief.

Respondent emphasizes certain matters which are not material to petitioner's right to an adequate accounting for profits and damages as follows:

Respondent, on page 10, asserts: "There is no proof of any palming off nor is there proof of any confusion in fact."

It is not essential to trade-mark infringement or unfair competition that there should be proof of palming off or of confusion in fact. The District Court found as facts that "it is difficult to distinguish the products sold by the defendant from the plaintiff's products" (R. 122, Par. 8), and that "The ordinary purchaser, having become familiar with the plaintiff's trade-mark, would naturally be

led to believe that the heels marketed by the defendant were the product of the plaintiff company" (R. 122, Par. 9), and also that the acts of respondent "* * * tended to destroy the good will created by the plaintiff." (R. 122, Par. 11.)

The facts so found by the District Court are sufficient to entitle petitioner to the relief sought, irrespective of whether or not there is actual proof of instances of palming off or of confusion.

> "We are not impressed by the objection of lack of evidence that anyone has been misled by defendant's acts. The primary purpose of evidence of actual deception is to show tendency or likelihood to deceive." *S. S. Kresge Co.* v. *Champion Spark Plug. Co.*, 3 F. 2d 415, 419 (C. C. A. 6).
>
> "It is next asserted that there is no evidence of actual confusion. This is of no moment. It is sufficient if the proof shows that purchasers are likely to be deceived or confused. *Kann, et al.* v. *Diamond Steel Co., et al.*, 8 Cir., 89 F. 706, 707, 710; *Gannert* v. *Rupert*, 2 Cir., 127 F. 962; *Consolidated Ice Co.* v. *Hygeia Distilled Water Co.*, 3 Cir., 151 F. 10, 12." *United Drug Co.* v. *Obear-Nester Co.*, 111 F. 2d 997, 1000 (C. C. A. 8).

Respondent states on page 25 that "There is no *prima facie* showing of any profits resulting to respondent," and that petitioner has failed to prove "'any sales attributable to the technical infringement here found."

The burden was not on petitioner to prove the amount of profits resulting from infringement, or that respondent's sales were attributable to infringement. This Court in *Hamilton-Brown* v. *Wolf Bros.*, 240 U. S. 251, 261, said that a sufficient reason for not requiring a plaintiff "to make an apportionment between the profits attributable to defendant's use of the offending mark and those attributable to the intrinsic merit of defendant's shoes is that such an apportionment is inherently impossible."

(*Continued on page 9*)

EXPLANATION:

The chart on the opposite page shows the history of the present controversy.

The period covered includes the full calendar years of 1933, 1934, and 1935.

Each trade-mark is placed on the chart opposite the date on the scale of months when the respondent began selling heels identified by such trade-mark.

The period during which the respondent continued to sell the heels bearing each trade-mark is represented by the stem projecting downwardly therefrom (and may be measured by the scale of months).

The preliminary injunction was effective August 17, 1935. The sale of heels with red circular trade-marks was thereafter restrained. The respondent was permitted to sell its remaining stock of orange circular marked heels, but was enjoined from buying any more.

The final decree, granted December 29, 1939, enjoined the sale of heels with red or reddish circular marks but did not specifically include the orange marks.

Late Jan. 1933 -- Respondent began selling heels with this trade-mark (R. 86; Ex. 79)

May 5, 1933 -- *Petitioner complained of mark as infingement* (R. 46,138)

May 19, 1933 -- Respondent agreed to change to color *unlike red* (R. 46,140)

June 6, 1933 -- Respondent began selling heels with this trade-mark (R. 49, 86; Ex. 59)

Feb. 15, 1934 -- *Petitioner complained of continued sale of heels with red circular mark* (R. 49, 141)

Early 1934 -- Respondent began selling heels with this trade-mark, first in white, then in beige as shown. (R. 87; Ex. 48)

June 14, 1934 -- *Petitioner again complained of sale of red marked heels.* ✻

July 1 1934 -- Respondent began selling heels with this trade-mark (R. 87; Ex. 54)

Sept. 15, 1934 -- Respondent began selling heels with this trade-mark (R. 87; Ex. 33)

Dec. 1, 1934 -- Respondent began selling heels with this trade-mark (R. 87, 91; Ex. 37)

Aug. 10, 1935 -- *Preliminary injunction granted* (R. 115)

✻ *Petitioner also objected to mixing the red marked heels with heels bearing similar marks in other colors* (R. 142)

Respondent on page 2 calls attention to the fact that its name appeared on some of the heels sold by it bearing the infringing trade-mark. This Court in *Menendez* v. *Holt*, 128 U. S. 514, said that such an act of a trade-mark infringer was "an aggravation and not a justification," as it appropriated to the infringer "the reputation acquired by the device of the true proprietor." The decision of this Court in *Saxlehner* v. *Eisner & Mendelson Co.*, 179 U. S. 19, 41, is also pertinent.

On pages 13, 23, 38, and 49 of its brief, the respondent quotes a statement from the opinion of the Court of Appeals that it found no evidence of "fraudulent purpose." In the same opinion, however, the appellate court held that "where one uses the trade-mark or trade symbol of a competitor, fraud will be presumed from the wrongful use," (R. 159), and correctly stated the law as follows:

> "• • • No one has the right to use the technical trade-mark of another in connection with like goods but if he does and persists after being notified to desist, fraud and imposition, which constitute the essence of the injury, will be presumed and relief granted. *Lawrence Mfg. Company* v. *Tennesses Mfg. Company*, 138 U. S. 537, 549; *McLean* v. *Fleming*, 96 U. S. 245, 252; *H. E. Winterton Gum Company* v. *Auto Sales Gum & Chocolate Company*, 211 F. 612 (C. C. A. 6)."

This Court in *Straus* v. *Notaseme*, 240 U. S. 179, said that intent and fraud were presumed when a defendant continued to infringe plaintiff's trade-mark after notice. In the instant case, respondent continued to infringe for more than two years and three months after being notified by petitioner that it infringed. Therefore, under the controlling authorities, the respondent's fraud and intent must be presumed in this case.

Assertions Made in Respondent's Brief Which Are Unsupported by the Record.

On page 10 of its brief, respondent asserts that the only unfair competition of which respondent may be accused is its technical infringement by use of the color red. This statement conflicts with the finding of the District Court that "the methods used in the sale of defendant's products constituted unfair competition." (R. 122, Par. 12.)

On pages 11 and 12, the respondent declares that "none of respondent's sales of replacement heels were attributable to the technical infringement." Thereafter, on pages 15, 18, 19, 24, 25, and 34, the respondent makes similar assertions. The record contains nothing to support these statements.

On page 44, the respondent makes the statement that the District Court "found that petitioner lost no sales." This statement is absolutely unwarranted. The Court did adopt a finding requested by the respondent that there is no *direct proof* of lost sales. (R. 129.) The fact that there was no such direct proof is entirely irrelevant. Proof of lost sales is not necessary to an accounting of profits for trade-mark infringement (Trade-Mark Act of 1905, 15 U. S. C. 99) nor is it necessary as a basis for awarding damages. See *Dowagiac Mfg. Co.* v. *Minnesota Moline Plow Co.*, 235 U. S. 641, 648, a patent case in which damages were awarded despite the absence of proof of lost sales.

In the trade-mark infringement case of *Aladdin Mfg. Co.* v. *Mantle Lamp Co.*, 116 F. 2d 708, the Court of Appeals for the Seventh Circuit stated that:

> "A tort feasor is liable for all consequences naturally resulting, all injuries actually flowing from his wrongful act, whether in fact anticipated or contemplated by him when his tortious act was committed. Recoverable damages, therefore, include compensation for all injury to appellant's business arising from wrongful

acts committed by appellee, provided that such injury was the natural and proximate result of the wrongful acts. *Fidelity & D. Co.* v. *Bucki & Son Lumber*, 189 U. S. 135, 23 S. Ct. 582, 47 L. Ed. 744. This includes injury to business standing or good will, loss of business, additional expenses incurred because of the tort, and other elements of injury to the business. 15 Amer. Jur. §§ 133, 134, 135, 136, and 138."

The present case, like the case last cited, arose under the Trade-Mark Act of 1905. If the interpretation of that act by the Court of Appeals for the Seventh Circuit is correct, then the petitioner is entitled to an accounting with a full opportunity to prove in the proceeding before the Master the damages it has sustained. It is also entitled to an accounting of profits, without the present improper limitations.

On page 4 of its brief, the respondent says:

"The Evergrip heel illustrated by Exhibit 48 has been manufactured by the Boston Woven Hose & Rubber Company since 1923 (R. 87)."

No support for this statement is found on page 87 of the Record, or elsewhere.

The said statement is specifically repudiated by an official of the manufacturer, whose affidavit appears on page 171 of the record filed with the Petition for Writ of Certiorari. This official states that the said heel is the only heel his company ever manufactured with a colored insert and that it was first manufactured in November, 1933.

Similarly, the respondent states on page 4 of its brief that the Surefoot heels were first manufactured by O'Sullivan Rubber Co., Inc. in 1920. This is misleading. The O'Sullivan Rubber Co. began the use of the red circular heel insert (as exemplified in Exhibit 54) on the heels it supplied to the respondent beginning in July, 1934. (R. 91.) Apparently, the said company never made or sold heels with inserts of a contrasting color prior to July, 1934.

Inconsistent Excerpt from Court of Appeals Opinion.

The respondent places great emphasis on the following excerpt from the Appellate Court's opinion:

> "No justification is found in the record for any inference that anyone appears to have been deceived by appellee's trade-mark in purchasing its shoe heels and lifts in the belief that it was purchasing shoe heels produced by the appellant." (R. 158; Respondent's Brief 13, 23, 39, and 49.)

This excerpt is not in harmony with the following statement from the same opinion:

> "Appellant's trade-marks had been so long in use and so widely advertised, it is presumed that appellee had knowledge of them and even if the appellee assumed its trade-marks without any intention to mislead the public or to unfairly interfere with appellant's trade, if they so closely imitated appellant's as to lead to confusion and tended, because of their similarity, to be taken by the public for those of appellant, appellee must be held to the same responsibility as though it had been guilty of intentional pirating." (R. 159.)

Moreover, the first quoted statement conflicts with the findings of the District Court that:

> It was difficult to distinguish respondent's products from petitioner's. (R. 121, Par. 8.)

and that:

> Customers would naturally be mislead by respondent's markings. (R. 122, Par. 9.)

These findings, which were never revised or modified, but merely supplemented, were part of the judgment which the Court of Appeals affirmed.

Finally, the very essence of trade-mark infringement is confusing similarity. A finding of trade-mark infringement presupposes that the infringer's goods are likely to be mistaken as those of the trade-mark owner. The passage so frequently quoted by the respondent is contrary to the holding of infringement by both of the lower courts. Where,

in the course of an opinion, the court makes a statement which is not in harmony with its decision, the inconsistent statement should not be regarded as paramount to the decision itself.

Respondent's Persistent Infringement and Bad Faith.

The respondent seeks to persuade this Court that reason and justice do not entitle the petitioner to the full statutory accounting for profits. The respondent not only contends that the infringing marks did not help to sell its heels, it argues that perhaps it was even harmed by its infringement—that its heels with marks in colors other than red "sell as well, *if not better, than those in red.*" (Brief, 25.)

The force of this argument is nullified by the fact that the respondent persisted in its infringement for more than two years after notice of infringement, until enjoined, and by the further fact that the respondent procured red circular marked heels from a new source after agreeing to adopt a color "unlike red." The red marked heels must have had some especial sales value to have induced the respondent to break faith with the petitioner.

A clerk in one of the respondent's stores admitted to one of the petitioner's investigators that most people purchased the heels with the red circular inserts. (R. 68.) Sales girls admitted that they had calls for "Ball Band" and "Red Ball" heels in some of respondent's stores. (R. 103, 105-6-7, 112.) This is highly significant, since it occurred in stores in which it is believed to be common knowledge that customers usually merely pick out what they want from the goods on display without asking for some particular make *unless they do not find it on display.* In view of respondent's obvious fondness for the red circular figure mark, if may be assumed that in these particular stores their stock of red marked heels had become temporarily depleted.

These instances, together with respondent's resort to another red circular mark, indicate that the red circular inserts must have been rather popular. The reason for this popularity is suggested by the finding of the District Court that the respondent's heel markings would naturally mislead the ordinary customer into believing that the heels so marked were the product of the petitioner. (R. 122.) This may explain the respondent's persistent fondness for red and reddish circular marks for heels.

Under the Trade-Mark Act and under the prevailing rule in the federal courts, the petitioner is entitled to the respondent's profits. This relief is more imperative because of the respondent's persistence in trespassing upon the petitioner's trade-mark rights for so long after notice.

> Where a defendant continued to clearly infringe a trade-mark after warning and with full knowledge of complainant's rights, complainant was entitled to an accounting. *Wallace & Co.* v. *Repetti, Inc.*, (C. C. A. 2) 266 F. 307, certiorari denied 254 U. S. 639.
>
> "Defendant knew all the facts, and, under a mistaken view of the law, claimed the trade-mark for itself. Its use of the mark was deliberate. The situation is about the same as where a defendant infringes a patent under the advice of counsel that it is invalid. Such infringement is not usually so willful as to justify treble damages, but we think it does justify, here as there, turning over to the plaintiff the actual profits received." *Lawrence-Williams Co.* v. *Societe Enfants Gombault, et Cie*, 52 F. 2d 774 (C. C. A. 6).

Comparative Summary Chart.

The "Comparative Summary Chart" appearing at page 7 in respondent's brief places great emphasis on the incidental differences between the petitioner's and respondent's heels, and seeks to minimize the petitioner's red circular trade-mark and the respondent's infringing red circular marks. It is deliberately misleading as it labels

petitioner's actual trade-mark herein as "Ornamentation" and petitioner's other heel markings as "Trade-Mark."

This belated effort to convince this Court that there is no confusing similarity between the marks conflicts with the settled finding of the District Court that:

> "• • • (defendant's) trade-mark is so applied that the most prominent part is a circular plug of red or reddish color so closely resembling that of the plaintiff that it is difficult to distinguish the products sold by the defendant from the plaintiff's products." (R. 121, Par. 8.)

Supplemental Findings.

The respondent requested the District Court to make certain additional findings of fact to supplement the original findings. The effect of the supplemental findings was discussed in our main brief beginning on page 16. There we pointed out that the original holding was not changed by the supplemental findings.

Nevertheless, the respondent now seeks to use the supplemental findings to contradict and defeat the retained original findings upon which the court based its decree.

With reference to the trial court's finding that the respondent's infringement tended to destroy the petitioner's good will (R. 122), the respondent urges, at page 41 of its brief, that since this was only a *tendency* unsupported by actual proof, the petitioner would not be entitled to an accounting of damages. We submit that where so injurious a tendency is found to exist, the court should refer the matter to a Master for accounting. The tort feasor should not be absolved because of the difficulty of introducing direct proof.

> "It is next asserted that there is no evidence of actual confusion. This is of no moment. It is sufficient if the proof shows that purchasers are likely to be deceived or confused. *Kann, et al.* v. *Diamond Steel Co., et al.*, 8 Cir., 89 F. 706, 707, 710; *Gannert* v. *Rupert*,

2 Cir., 127 F. 962; *Consolidated Ice Co.* v. *Hygeia Distilled Water Co.*, 3 Cir., 151 F. 10, 12." *United Drug Co.* v. *Obear-Nester Co.*, 111 F. 2d 997, 1000 (C. C. A. 8).

Misapplied Authorities.

The respondent relies heavily on the decision of this Court in *Straus* v. *Notaseme Co.*, 240 U. S. 179. (Br. 27.)

The case is not in point. That case did not involve the Trade-Mark Act of 1905, the decision rested *solely* on unfair competition. Furthermore, the plaintiff in that case prejudiced its case by falsely representing that it owned a registered trade-mark.

Whatever doubts may have existed regarding the interpretation of *Straus* v. *Notaseme, supra,* were settled in the subsequent decision of this Court in *Hamilton-Brown Shoe Co.* v. *Wolf Bros. & Co.*, 241 U. S. 251. In the latter case, the infringer was required to account to the complainant for the profits derived from the sales of shoes bearing the infringing trade-mark, and the shoes bearing the name of the infringer were included in this accounting.

The respondent cites *Westinghouse Mfg. Co.* v. *Wagner Mfg. Co.*, 225 U. S. 604, 614, a patent case, as authority for the proposition that in an accounting, the plaintiff must first prove the existence of profits attributable to his inventions. The respondent urges that since the Trade-Mark Act of 1905 and Rev. Stat. 4921 (the Patent Act) contain certain identical language, the above authority is controlling in trade-mark cases.

This argument is dangerously misleading for the reason that, while the two statutes are in harmony as to when an accounting will be ordered, the Trade-Mark Act of 1905

contains the additional clause that "in assessing profits the plaintiff shall be required to prove defendant's sales only," and no corresponding language is to be found in the Patent Act.

Consequently, and despite the respondent's argument to the contrary, when an accounting of profits for trade-mark infringement has been ordered, the plaintiff is not required to prove the existence of profits attributable to the use of the infringing mark. He is required to prove the infringer's sales only. *This is statutory, and no asserted parallelism between patent and trade-mark cases can defeat it.*

If the respondent interprets the holding in the *Westinghouse* case correctly, then that holding differs from the holding in the subsequently decided case of *Hamilton-Brown Shoe Co.* v. *Wolf Bros. & Co., supra.* Inasmuch as the *Hamilton-Brown* case is a trade-mark case and the *Westinghouse* case is not, it would seem that the *Hamilton-Brown* case is entitled to greater weight in the instant case.

The case of *Sheldon* v. *Metro-Goldwyn Pictures Corp.*, 309 U. S. 390, does not support the argument for which it is used by the respondent. The respondent cites this case to show that petitioner in the present case is not entitled to an accounting of profits. In the *Sheldon* case the accounting of profits was awarded.

The *Sheldon* case related to the computation of the profits due to the complainant from the exhibition of an infringing motion picture. In the accounting proceedings, the defendant assumed the burden of proving profits attributable to factors other than the infringement, such as the popularity of the actors, the scenery, and expert producers and directors. This Court did not in any

respect modify its *Hamilton-Brown* decision but expressly reiterated the holding in that case as follows:

> "• • • Petitioners cite our decision in the trade-mark case of *Hamilton-Brown Shoe Co.* v. *Wolf Bros. Co.*, 240 U. S. 251, but the Court there, recognizing the rulings in the *Westinghouse* and *Dowagiac* cases, found on the facts that an apportionment of profits was 'inherently impossible'. The burden cast upon the defendant had not been sustained." (Page 405.)

Conclusion.

It is respectfully submitted that the brief of respondent does not overcome in any respect the reasons heretofore presented by the petitioner for directing that the respondent adequately account to the petitioner for the profits from the sales of the infringing marked heels and for the damages the petitioner sustained, and accordingly this Court is respectfully requested to direct that such relief be granted.

Respectfully submitted,

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